

Agenda Date: February 11, 2010  
Item Number: A2

**Docket:** UW-091751  
Company Name: Camano Hills Water Company

Staff: Jim Ward, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Camano Hills Water Company.
2. Approve staff recommended revised rates as filed by the company on January 26, 2010, to become effective February 12, 2010.

### **Background**

On November 9, 2009, Camano Hills Water Company (Camano Hills or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$40,150 (41 percent) in additional revenue per year. The proposed rates are prompted by increased costs in all areas of business operations, such as fuel, insurance, electrical power, laboratory fees and chemicals used for water treatment. Recent upgrades and capital improvements contribute to the increased costs of providing water service. The company serves about 155 residential and upsize meter customers on Camano Island in Island County. The proposed effective date was January 1, 2010. The company's last general rate increase became effective on January 1, 2007.

On December 23, 2009, the commission issued a complaint and order suspending the proposed tariff revisions filed by the company on November 9, 2009.

Staff's review of the company's filing found that the proposed rates would generate excessive revenue. Staff and the company agreed to a revised revenue requirement of \$24,786 (26 percent) in additional annual revenue and revised rates. On January 26, 2010, the company filed revised rates at staff recommended levels. Staff and the company agreed to a February 12, 2010, effective date.

All but seven customers receive metered service. The seven non-metered customers are scheduled to be metered within two years. The proposed rate design removes two of the current five usage blocks. In addition, the company is adding upsize meters to its tariff with upsize usage blocks. Currently, the company applies rates for upsized meters based on the number of Equivalent Residential Units (ERUs) that a customer purchased at the time of initial connection.

A residential customer using 849 cubic feet of water per month (the calculated company-wide average water usage) would pay \$17.11 (50.4 percent) more per month using the revised rates

instead of \$20.19 (59.5 percent) ) more using the rates proposed by the company (see “Average Bill Comparison” table below).

### **Customer Comments**

On November 3, 2009, the company notified its customers of the proposed rate increase by mail. Four customer comments have been received to date. All customers oppose the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff has advised customers that they may access company documents about this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and [www.utc.wa.gov/water](http://www.utc.wa.gov/water) and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

### **Filing Documents and Methodology Comments**

- Two customers believe the flat rate allowing unlimited usage should be removed, which requires all customers to pay for the water they use.

#### **Staff Response**

The company currently has seven unmetered customers. The company plans to install meters for those customers within two years. Meters result in customers paying for the water they use.

- One customer commented that when he originally purchased his property the contract stated he would not be charged more than \$30 per month for water.

#### **Staff Response**

The customer was advised when a water company becomes regulated, all previous contracts and agreements regarding water rates do not bind the commission for ratemaking purposes.

### **General Comment**

- Three customers believe the proposed rates are excessive. One customer believes a smaller rate increase would be acceptable.

#### **Staff Response**

Customers were advised that state law requires rates to be fair and reasonable, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

### **Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Ready to Serve	\$16.50	\$35.00	\$23.00
Flat Rate Service	\$25.00	\$52.00	\$51.00
Base Rate (3/4 -inch meter)*	\$25.00	\$35.00	\$23.00
0 – 950 cubic feet	\$1.05	\$2.25	\$3.30
951 – 1,600 cubic feet	\$1.05	\$2.25	\$4.30
1,600 – 2,200 cubic feet	\$3.30	\$3.50	\$4.30
2,201 – 3,000 cubic feet	\$3.30	\$3.50	\$7.30
3,001 – 5,600 cubic feet	\$4.40	\$3.50	\$7.30
5,601 – 8,000 cubic feet	\$6.60	\$6.60	\$7.30
Over 8,000 cubic feet	\$11.00	\$6.60	\$7.30
Base Rate (1-inch meter)	\$25.00**	\$58.45	\$38.41
0 – 1,587 cubic feet	N/A	\$2.25	\$3.30
1,588 – 2,672 cubic feet	N/A	\$2.25	\$4.30
2,673 – 3,674 cubic feet	N/A	\$2.25	\$4.30
3,675 – 9,352 cubic feet	N/A	\$3.50	\$7.30
Over 9,352 cubic feet	N/A	\$6.60	\$7.30
Base Rate (2-inch meter)	\$25.00**	\$186.55	\$122.59
0 – 5,064 cubic feet	N/A	\$2.25	\$3.30
5,065 – 8,528 cubic feet	N/A	\$2.25	\$4.30
8,529 – 11,726 cubic feet	N/A	\$2.25	\$4.30
11,727 – 29,848 cubic feet	N/A	\$3.50	\$7.30
Over 29,848 cubic feet	N/A	\$6.60	\$7.30

\* Other upsize meter rates are also changed and available in the proposed tariff.

\*\*Per ERU

### **Average Monthly Bill Comparison**

<b>Average Monthly Usage</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
849 cubic feet			
Base Charge – Zero Allowance	\$25.00	\$35.00	\$23.00
849 cubic feet water usage	\$8.91	\$19.10	\$28.02
Average Monthly Bill	\$33.91	\$54.10	\$51.02
Increase From Current Rates		59.5%	50.4%

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the revised expenses are reasonable and required as part of the company's operations. The customer's comments do not change staff's opinion that

the company's financial information support the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

**Conclusion**

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Camano Hills Water Company.
2. Approve staff recommended revised rates as filed by the company on January 26, 2010, to become effective February 12, 2010.